

**ITEM: COUN 03 03/2017**

**DEPARTMENT OF FINANCE: DRAFT BUDGET FOR THE 2017/18 FINANCIAL YEAR**

**(6/1/1/1 – 2016/17) (OM) (COUNCIL: 20 MARCH 2017)**

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**The Acting Director: Finance reports as follows:**

The purpose of this report is to submit the draft annual budget for the 2017/18 financial year for approval by Council as prescribed in chapter 4 of the Municipal Finance Management Act (MFMA) and in terms of guidelines received from National Treasury on circular no. 86.

Section 16 (2) of the MFMA prescribes that the mayor of the municipality must table the annual draft budget at a council meeting at least 90 days before the start of the budget year. In addition to the processes, the IDP strategic sessions were held for the managers and councilors on 09 November and 22 November 2016 respectively in order to comply with section 21 of the MFMA.

**Contents of the annual budget and supporting documents**

An annual budget of a municipality must be a schedule in the prescribed format as follows in terms of section 17 of the MFMA:

- a) Setting out realistically anticipated revenue for the budget year from each source;
- b) Appropriating expenditure for the budget year under the different votes of the municipality;
- c) Setting out indicative revenue per revenue source and projected expenditure by vote for two (2) financial years following the budget year;
- d) Setting out-
  - i. Estimated revenue and expenditure by vote for the current year; and
  - ii. Actual revenue and expenditure by vote for the financial year preceding the current year; and
- e) A statement containing any other information required by section 215 (3) of the Constitution or as may be prescribed.

National Treasury issued Municipal Budget and Reporting Regulations that applied to all the municipalities and municipal entities as from 01 July 2009.

Schedule A of the regulations prescribe the table of contents of the municipal budget.

The required table of content according to Schedule A is as follows:

- *Mayoral Budget Speech: - High-level summary of the budget that draws on executive summary and highlights key deliverables during the coming years;*
- *Budget Related Resolutions: - Draft resolutions must be included with the budget documentation tabled to full council;*
- *Executive summary - Must explain the financial and service delivery implications and projected financial position that the budget will have on the operations of the municipality;*
- *Budget: - The budget includes the executive summary; budget schedules – operating & capital to be approved by council; and*
- *Supporting Documentations:- Budget process overview; alignment of budget with IDP; budget related policies – overview and amendments; budget assumptions; funding of the budget; disclosure on allocations made by municipality; disclosure of salaries, allowances and benefits; monthly cash flows by source; measurable performance objectives and disclosure on implementation of MFMA as well as other legislation.*

The operating and capital budget for the 2017/18 financial year is attached for consideration and approval by Council. (Bound separately)

The Municipal Manager, in consultation with the Acting Director: Finance, recommends as follows:

## **RECOMMENDATION**

**1. Council resolves that the draft annual budget of the municipality for the financial year 2017/18 and indicative of the projected outer years 2018/19 and 2019/20 be approved as set out in the following schedules:**

- 1.1 Budget Summary – Table A1 (Pg. B 1);
- 1.2 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) –Table A2 (Pg. B3);
- 1.3 Budgeted Financial Performance (Revenue and Expenditure by Functional Classification) – Table A2 (Pg. B4);
- 1.4 Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table A3 (Pg. B9);

- 1.5 Budgeted Financial Performance (revenue and expenditure by municipal vote) A – Table A3(Pg. B10);
- 1.6 Budgeted Financial Performance (revenue and expenditure) –Table A4 (Pg. B12);
- 1.7 Budgeted Capital Expenditure by vote, functional classification and funding – Table A5 (Pg. B13);
- 1.8 Budgeted Capital Expenditure by vote, functional classification and funding – Table A5 (Pg. B14);
- 1.9 Budgeted Financial Position – Table A6 (Pg. B15);
- 1.10 Budgeted Cash Flows - Table A7 (Pg. B16);
- 1.11 Cash backed reserves/accumulated surplus reconciliation – Table A8 (Pg. B17);
- 1.12 Asset Management – Table A9 (Pg. B18); and
- 1.13 Basic Service Delivery Measurement - Table A10 (Pg. B22).

2. **Council approves the further refinement of the draft budget with regard to prescribed supporting documentations and consideration of issues raised in the item before final adoption of the budget in May 2017.**

## **RESOLVED**

1. **Council resolved that the draft annual budget of the municipality for the financial year 2017/18 and indicative of the projected outer years 2018/19 and 2019/20 be approved as set out in the following schedules:**
  - 1.1 Budget Summary – Table A1 (Pg. B 1);
    - a. Budgeted Financial Performance (Revenue and Expenditure by standard Classification) –Table A2 (Pg. B3);
    - b. Budgeted Financial Performance (Revenue and Expenditure by Functional Classification) – Table A2 (Pg. B4);
  - 1.4 Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table A3 (Pg. B9);
  - 1.5 Budgeted Financial Performance (revenue and expenditure by municipal vote) A – Table A3(Pg. B10);
  - 1.6 Budgeted Financial Performance (revenue and expenditure) –Table A4 (Pg. B12);
  - 1.7 Budgeted Capital Expenditure by vote, functional classification and funding – Table A5 (Pg. B13);

- 1.8 Budgeted Capital Expenditure by vote, functional classification and funding – Table A5 (Pg. B14);
- 1.9 Budgeted Financial Position – Table A6 (Pg. B15);
- 1.10 Budgeted Cash Flows - Table A7 (Pg. B16);
- 1.11 Cash backed reserves/accumulated surplus reconciliation – Table A8 (Pg. B17);
- 1.12 Asset Management – Table A9 (Pg. B18); and
- 1.13 Basic Service Delivery Measurement - Table A10 (Pg. B22).

**2. Council approved the further refinement of the draft budget with regard to prescribed supporting documentations and consideration of issues raised in the item before final adoption of the budget in May 2017.**



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Ms. Z.M. Bogatsu



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Date